

Challenge 2010

Positioning of “Challenge 2010”

**Challenge
2010**

KDDI Fundamental Principles

Customer
Satisfaction & Trust

Confidence of
Share-holders,
Business Partners, etc.

Dynamic Company
& Happiness of
Employees

Contribution to
Social
Development

Challenge 2010
(2007 - 10)



= “Sustainable Growth Company”

Simultaneous pursuit of
“Quantitative Expansion”
and “Qualitative Enhancement”

(2005 - 06)

“Strategy and Speed” toward sustainable growth

- Expand Mobile customer base through MNP
- Consolidate FTTH operating base (integration of TEPCO’s FTTH business)

Mid-Term Management Plan
(2002 - 04)

“Selection and Concentration” toward
strengthening the management foundation

- Concentrate resources on “au” business
- Reduce interest-bearing debts

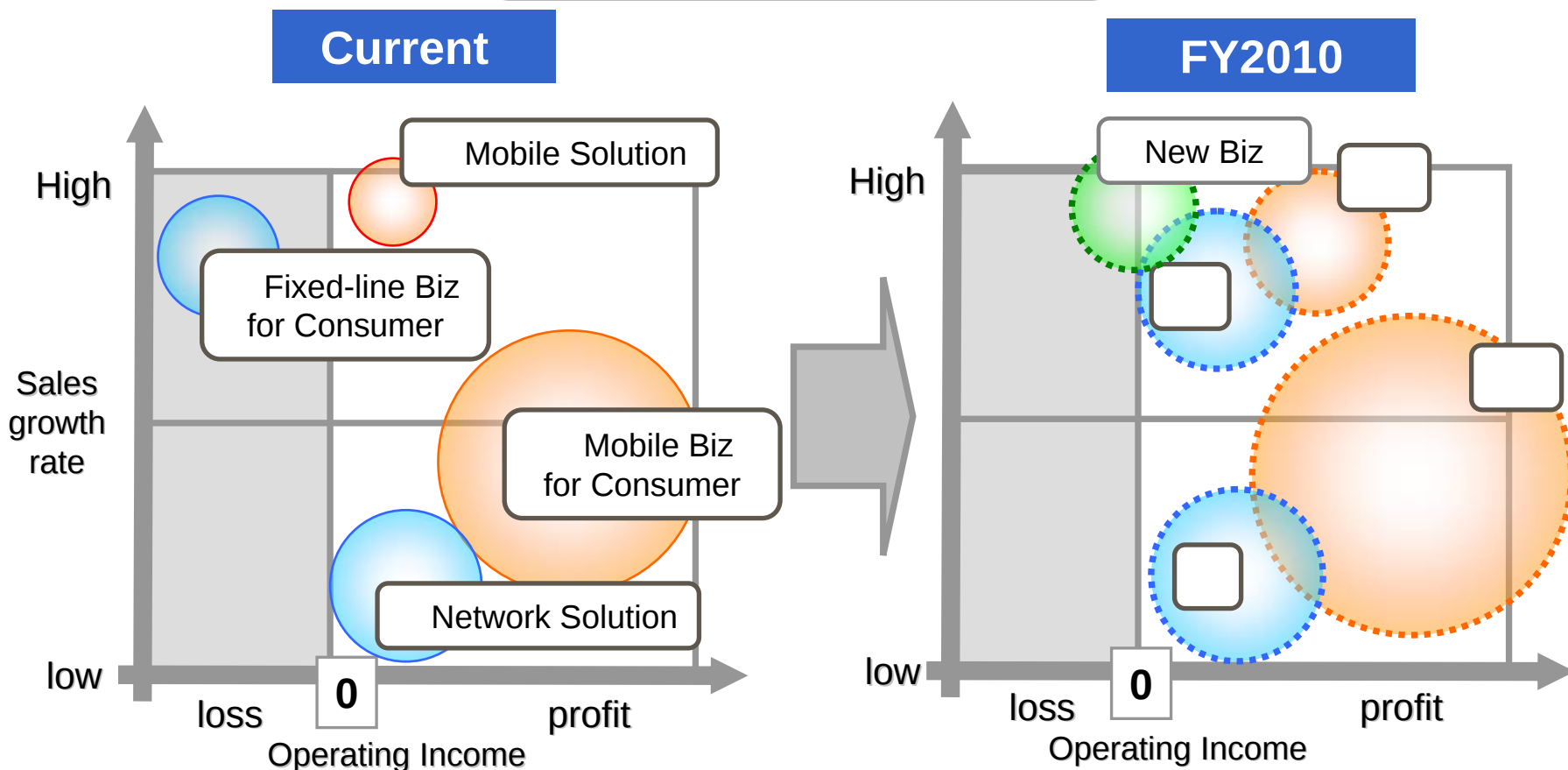
Core Messages of “Challenge 2010”

- Aim for “Customer Satisfaction No.1” in every service.
- Realize sustainable growth through simultaneous pursuit of “Quantitative Expansion” and “Qualitative Enhancement.”
- Targets in FY2010 (consolidated)
Operating revenues: ¥ 4 trillion, Operating income: ¥ 600 billion
 - Maintain the momentum of increasing revenues and income in Mobile business.
 - Enlarge sales by expanding customer base and business domain.
 - Promote broadband such as FTTH business, etc. and make a turnaround in Fixed-line Business.
 - Develop FMBC and expand non-traffic business domain.
 - Expand corporate business to be an all-round player which can offer ICT* as one-stop shopping. *Information and Communication Technology
- Enhance the return to shareholders.

Growth Driver

- Mobile for Consumer, mainstay business, will continue to drive the consolidated business performance, with Fixed-line Business also aimed for improved profitability.

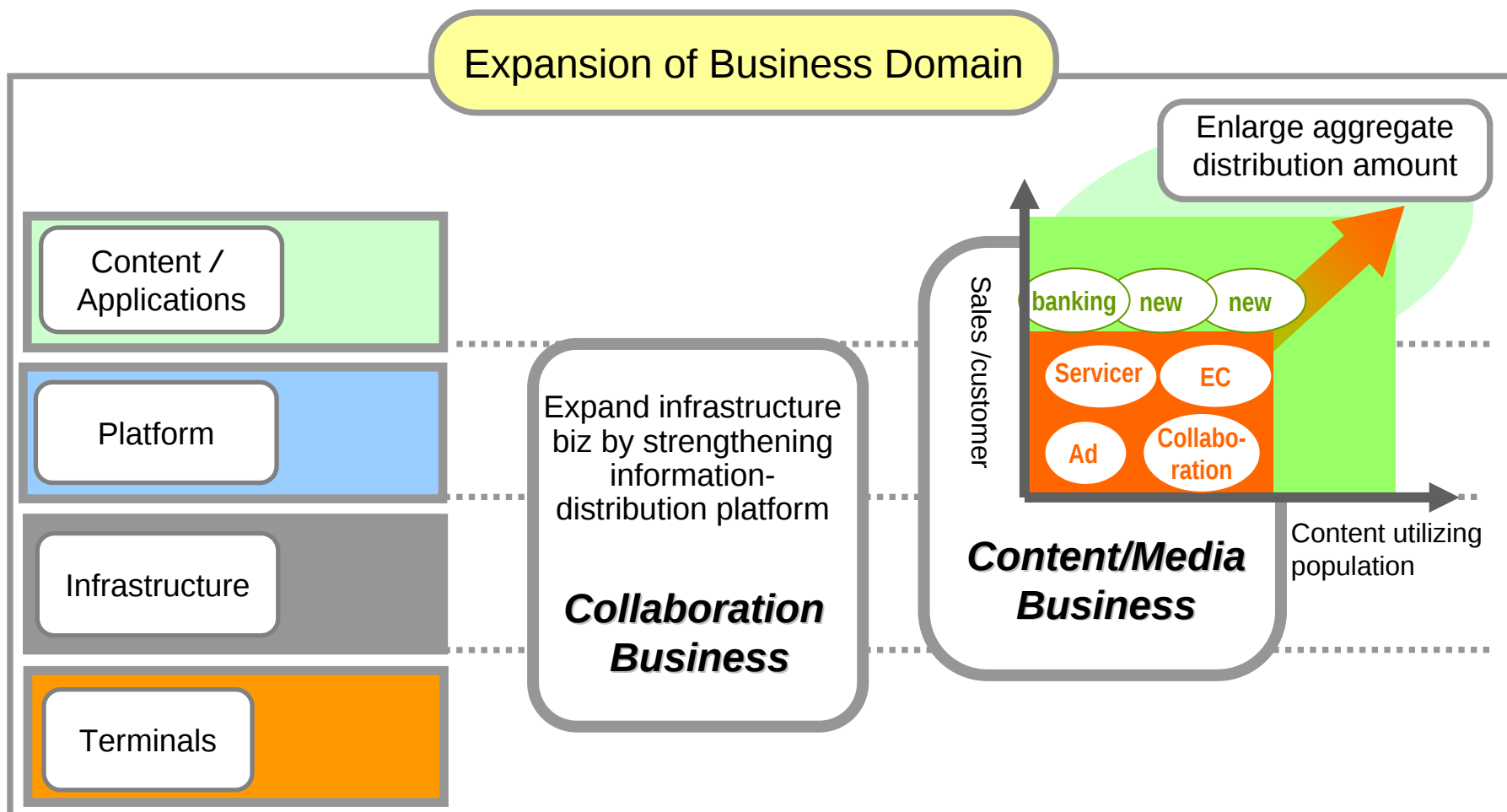
Image of Business Portfolios



Note: The sizes of the circles show images on those of sales.

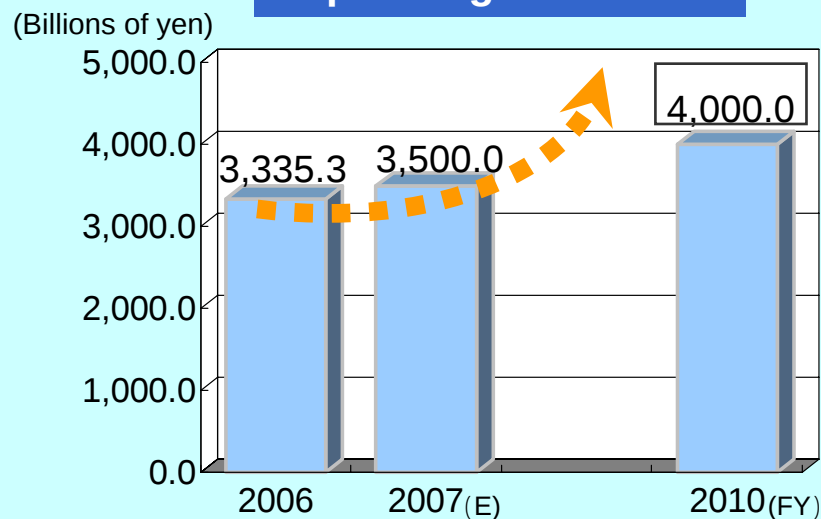
Expansion of Business Domain(1)

- Expand business domain by strengthening information-distribution platform, enhancing initiatives for content media business and enlarging aggregate distribution amount.

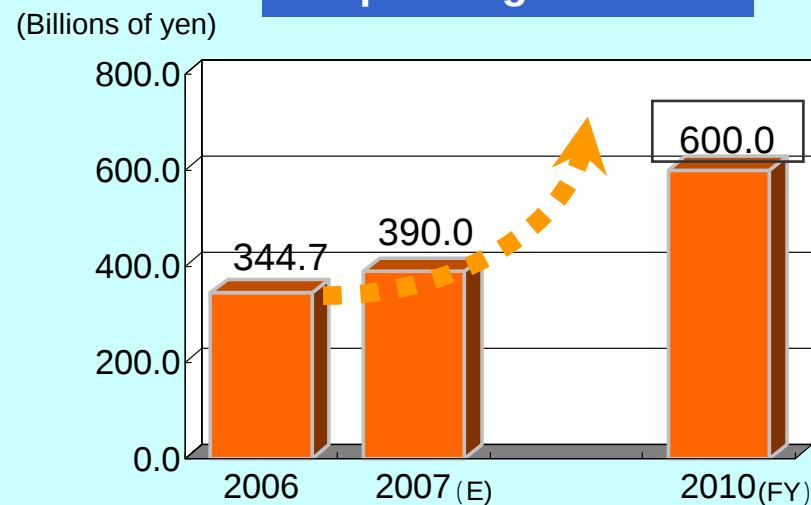


Expansion of Business Domain(2)

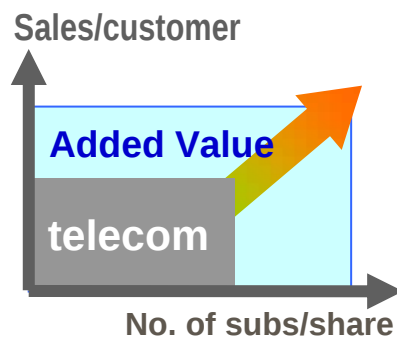
**Consolidated
Operating Revenues**



**Consolidated
Operating Income**

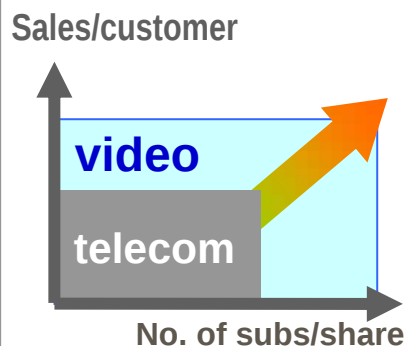


Mobile Biz for Consumer

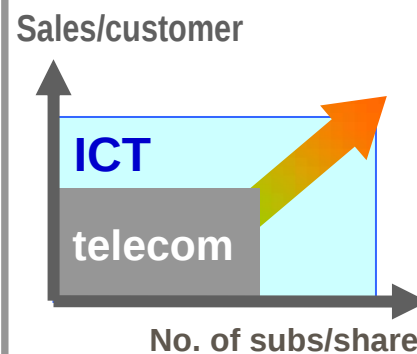


*Content servicing, EC, etc.

Fixed-line Biz for Consumer

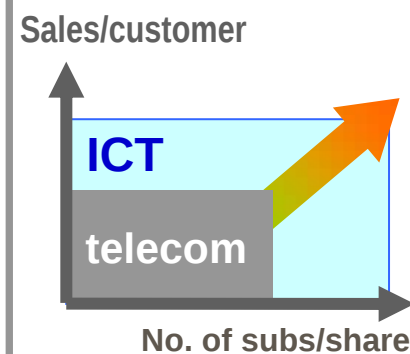


Mobile Solution



*Mobile solutions, Module solutions, etc.

Network Solution



*Managed service, premises solution, etc.

Mobile Business for Consumer

- Maintain the momentum of increasing revenues and income in Mobile business
 - Enlarge sales by expanding customer base and business domain.

Further Strengthening Competitiveness

Handsets

- Reduce costs through KDDI Integrated Platform (KCP+) and expand Rev. A handsets

Charges /service

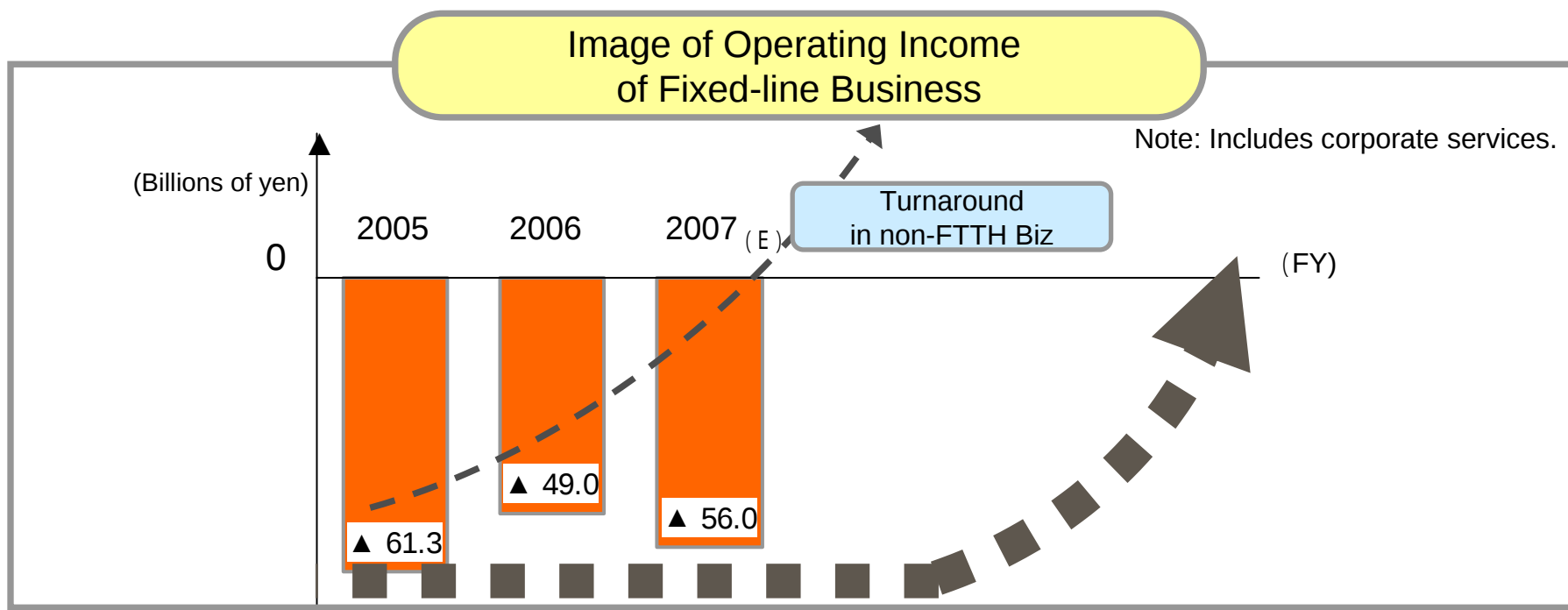
- Underpin ARPU by adding new services
- Enhance global roaming
- Develop business models to address customer needs
- Reinforce settlement / authentication functions and FMBC service

Infrastructure

- Reorganize 800MHz band and enhance coverage
- Improve communications quality
- Commercial launch of the post-Rev. A system

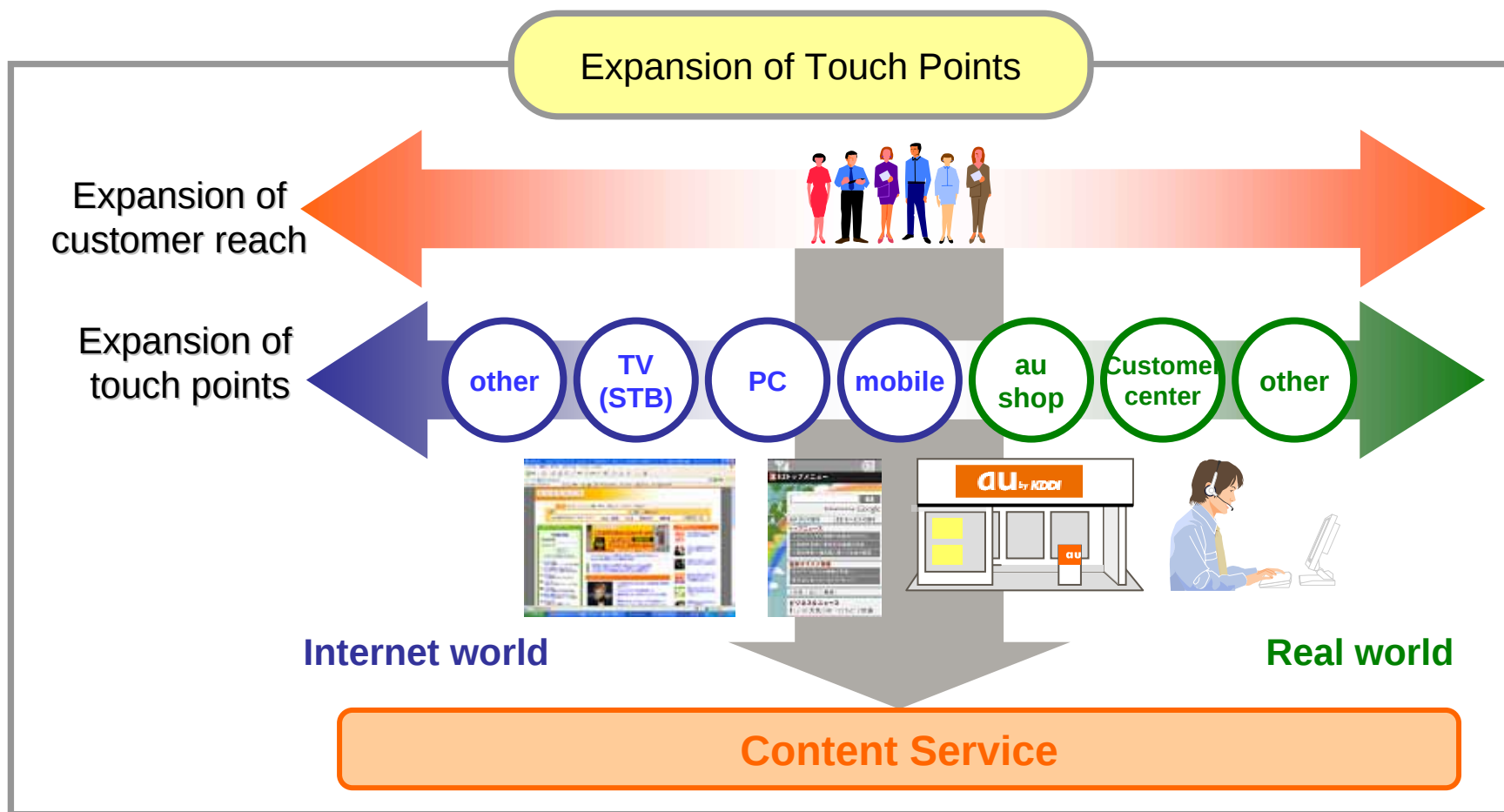
Fixed-line Business for Consumer

- Promote broadband such as FTTH business, etc. by utilizing various access lines and make a turnaround in Fixed-line Business.
 - As for FTTH, access network of our own, aim for a 30% share in Tokyo-metropolitan service area over the mid-long terms.
 - Enhance video ARPU by promoting broadband.
 - As for KDDI METAL PLUS, bolster profitability by maintaining a customer base of more than 3M over the mid-long terms.



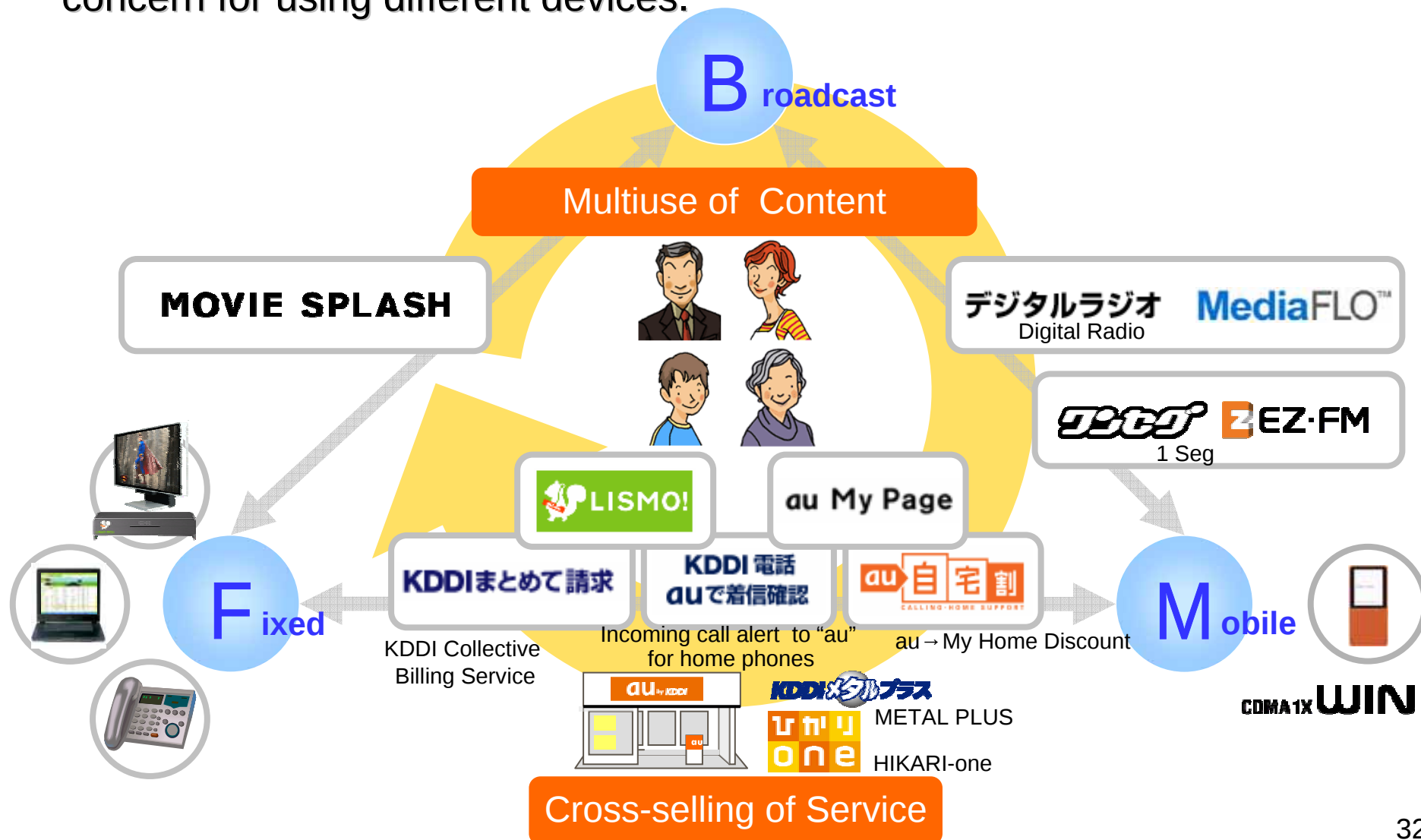
Expansion of Content/Media Business

- Enlarge content-use population by reinforcing touch points (contact points with customers) and reaching a wide-range of age groups.
- Sales results in FY2006 were ¥27.2B. Aim at expanding sales further by about 2.5 times in FY2010 compared with FY2006.



Development of FMBC for Consumer

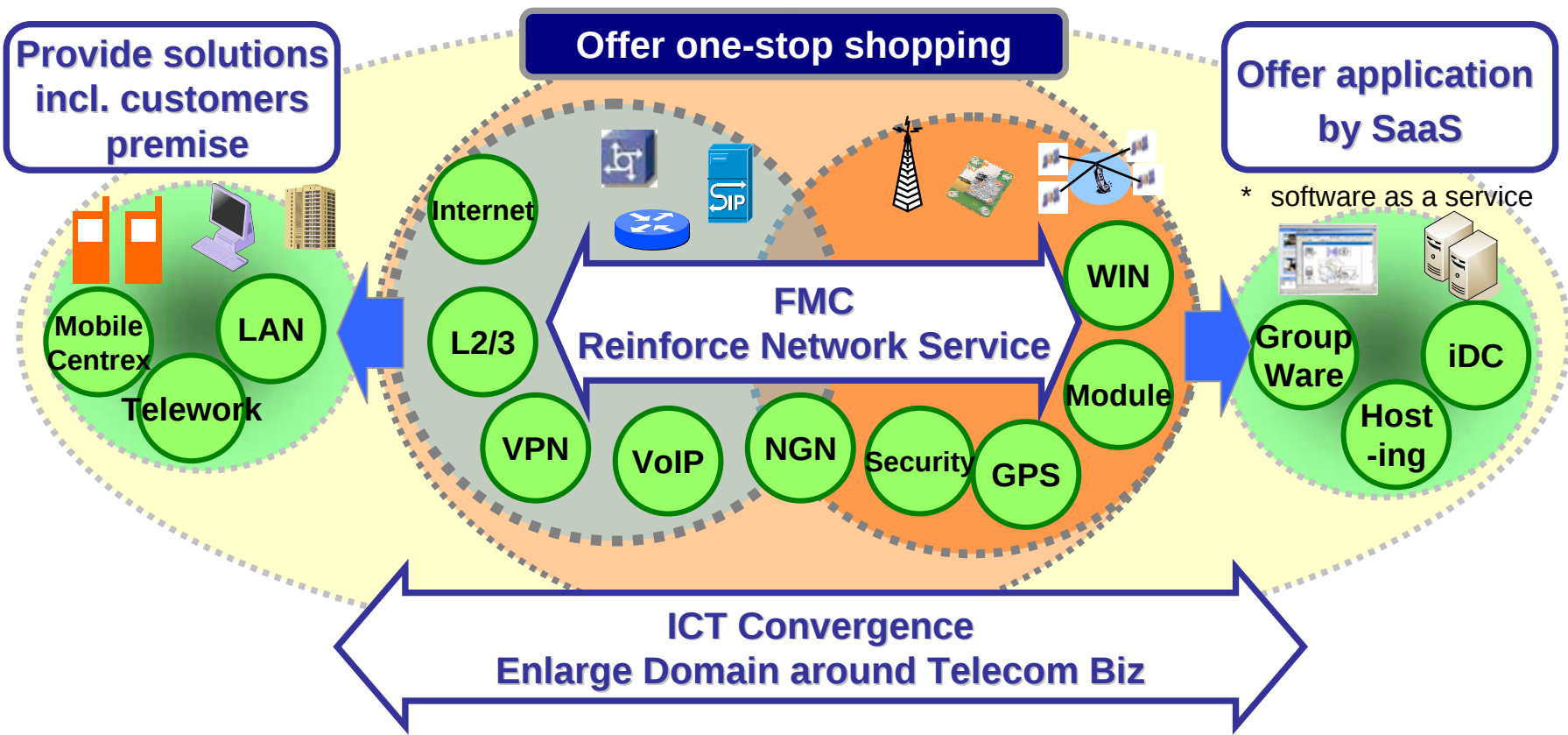
- Realize a world of optimum communication environment where customers can enjoy various services and content anywhere and anytime without concern for using different devices.



Corporate Services – Be an ICT Provider

- Expand corporate business to be an all-round player which can offer ICT* as one-stop shopping through further strengthening network service and enlarging its domain around conventional telecom business.

*Information and Communication Technology



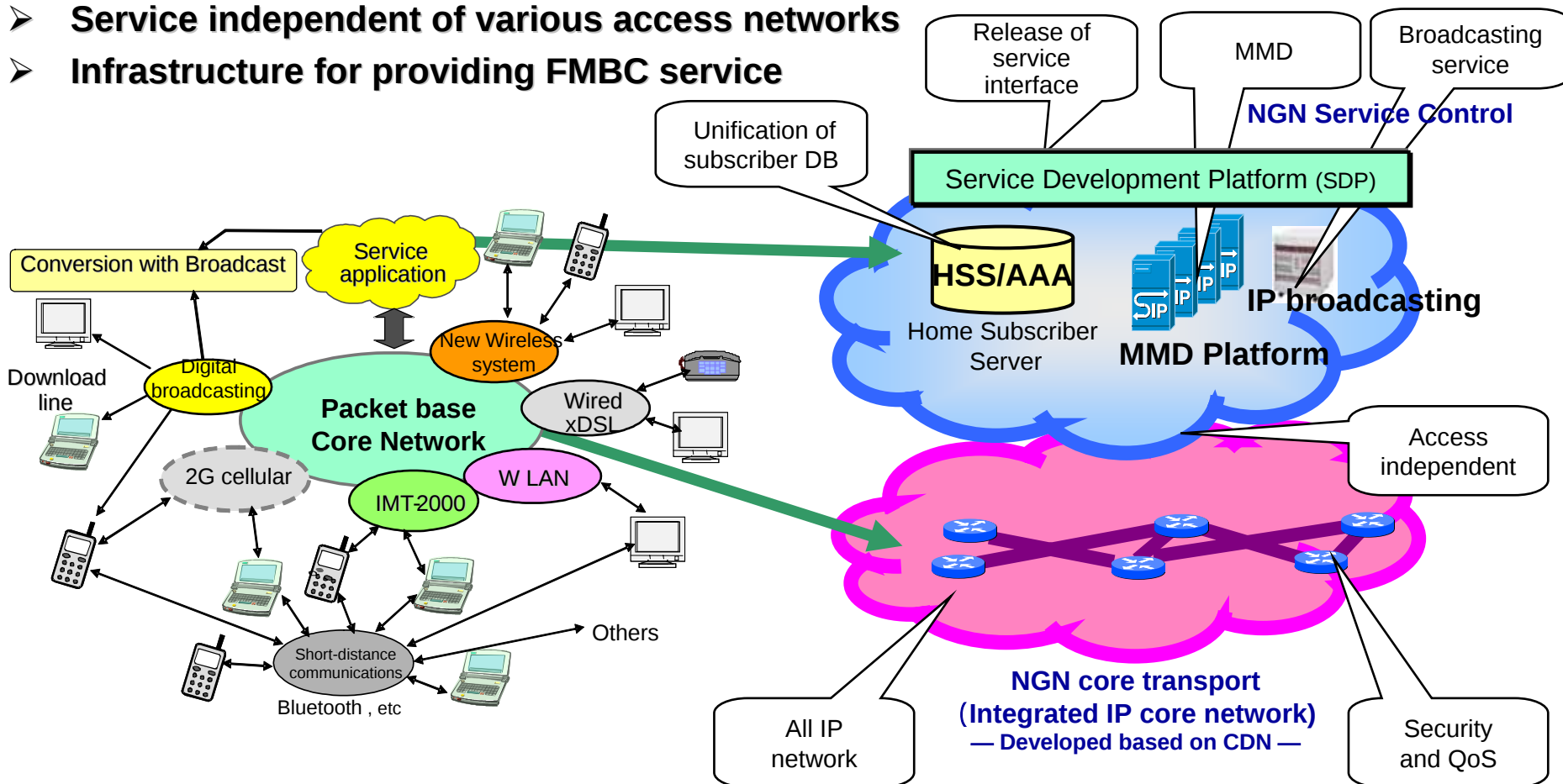
Infrastructure Strategy

**Challenge
2010**

- Under the “Ultra 3G” plan, construct KDDI NGN, leveraging Mobile system (MMD) to precede competitors and establish differentiation.

- **Service independent of various access networks**
- **Infrastructure for providing FMBC service**

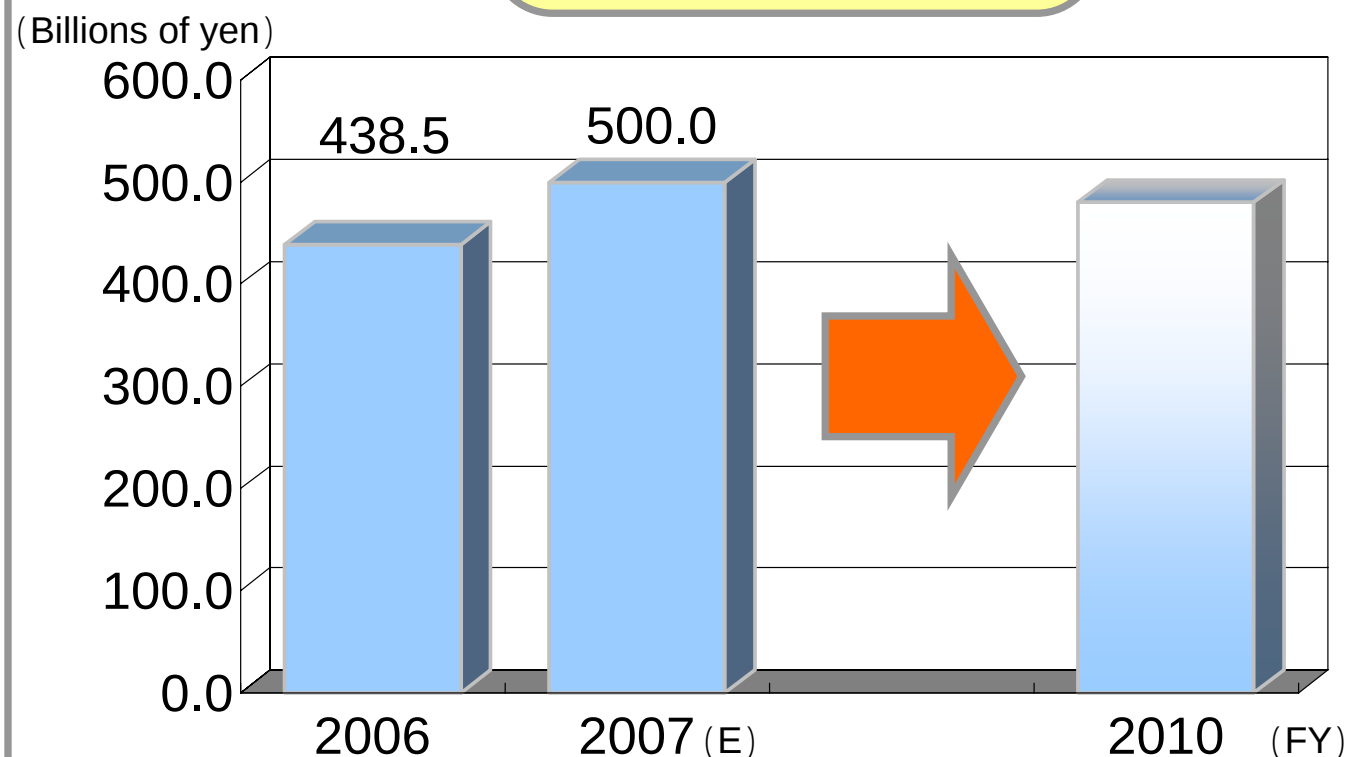
MMD: Multimedia Domain
NGN: Next Generation Network



Capital Expenditure

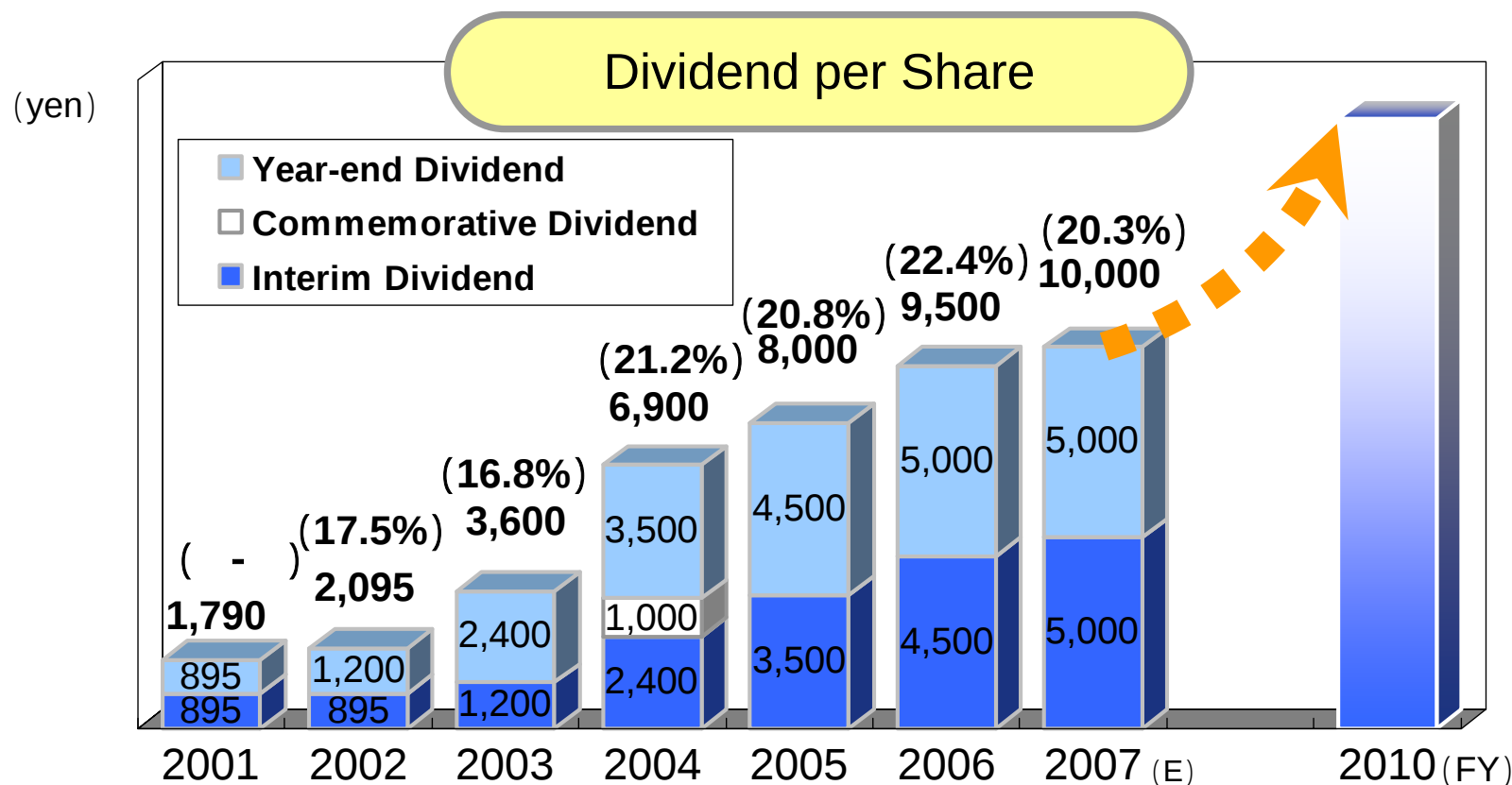
- Prioritize capex for expanding customer base and achieving sustainable growth.

Consolidated Capex



Shareholder Returns

- Maintain stable dividend – aim for consolidated payout ratio of 20% or more, taking investments for sustainable growth into consideration.
- Flexibly implement acquisitions of own shares from the viewpoint of agile capital policy.



Note: () refers to payout ratio, which shows on a company basis until FY2005 and on a consolidated basis in FY2006 and onwards. FY2001 posted net loss, therefore, shown as (-).

~ FY2010

➤ **Improvement of Fair Competition Rules, etc.**

(New Competition Promotion Program 2010)

- Study Group on Mobile Business
(Sales commission, SIM lock release, MVNO)
- Panel on Neutrality of Networks
- Study Group on Future Images of Universal Service Fund System

➤ **Panel on ICT International Competitiveness**

➤ **Study Group on Comprehensive Legal System
Governing Communications and Broadcasting**

As of FY2010

**Address
Organizational Issues on NTT**

“Challenge 2010”

**KDDI aims to become an excellent company
through simultaneous pursuit of
“Quantitative Expansion” and “Qualitative Enhancement.”**

